

EXHIBIT 1

INTRODUCTION

Respondent Arturo Reyes was a successful candidate for Lynwood City Council in the November 4, 1997 General Municipal Election. Respondent Committee to Elect Arturo Reyes (the “Committee”) was his controlled committee. Under the provisions of the Political Reform Act (the “Act”),¹ Respondents were required to file campaign statements disclosing information about the contributions and expenditures of Respondent Committee, and to maintain required records about the activities of Respondent Committee. Respondents were also required to deposit all of the contributions received by Respondent Committee into a single campaign bank account, and make all of the expenditures of Respondent Committee out of that same account.

For the purposes of this Default Decision and Order, Respondents’ violations of the Political Reform Act are stated as follows:

COUNT 1: Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to timely file a first pre-election campaign statement, covering the period January 1, 1997 through September 20, 1997, in violation of Government Code section 84200.8.

COUNT 2: Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to timely file a second pre-election campaign statement, covering the period September 21, 1997 through October 18, 1997, in violation of Government Code section 84200.8.

COUNT 3: Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to timely file a semi-annual campaign statement, covering the period October 19, 1997 through December 31, 1997, in violation of Government Code section 84200.

COUNT 4: Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to establish a campaign bank account prior to receiving contributions on or about and between February 21, 1997 and November 1, 1997, in violation of Government Code section 85201.

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations Section 18000 *et seq.* All references to regulations are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

COUNT 5: In a first pre-election campaign statement filed on July 20, 1998, Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to report a contribution of \$934.20 from Armando Rea, made on or about and between February 21, 1997 and March 17, 1997, in violation of Government Code section 84211.

COUNT 6: In a first pre-election campaign statement filed on July 20, 1998, Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to report contributions of \$625 from Mariscos El Paisa, Inc., made on May 6, 1997, and \$500 from Armando Rea, made on May 30, 1997, in violation of Government Code section 84211.

COUNT 7: In a first pre-election campaign statement filed on July 20, 1998, Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to report a contribution of \$625 from Mariscos El Paisa, Inc., made on July 17, 1997, in violation of Government Code section 84211.

COUNT 8: On October 6, 1997, Respondent Arturo Reyes made a campaign expenditure of \$1,546 to Colby Signs, and failed to make this expenditure from his campaign bank account, in violation of Government Code section 85201.

COUNT 9: In a semi-annual campaign statement filed on July 20, 1998, Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to report a contribution of \$1,000 from Citizens to Elect Armando Rea, made on or about and between October 23, 1997 and October 27, 1997, in violation of Government Code section 84211.

COUNT 10: Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to maintain detailed records and accounts for a period of four years, as were necessary to properly prepare a first pre-election campaign statement that was filed on July 20, 1998, in violation of Government Code section 84104.

COUNT 11: Respondents Arturo Reyes and the Committee to Elect Arturo Reyes failed to maintain detailed records and accounts for a period of four years, as were necessary to properly prepare a second pre-election campaign statement that was filed on July 20, 1998, in violation of Government Code section 84104.

COUNT 12: Respondents Arturo Reyes and the Committee to Elect Arturo

Reyes failed to maintain detailed records and accounts for a period of four years, as were necessary to properly prepare a semi-annual campaign statement that was filed on July 20, 1998, in violation of Government Code section 84104.

THE ADMINISTRATIVE PROCEDURE ACT

Pursuant to the Administrative Procedure Act (the “APA”),² a respondent is entitled to a hearing on the merits of an Accusation if the respondent files a Notice of Defense within 15 days after service of the Accusation. (Sec. 11506.) The APA further provides that a respondent’s failure to file a Notice of Defense within 15 days after service of an Accusation constitutes a waiver of the respondent’s right to a hearing. (Sec. 11506, subd. (c).) A default decision may be issued if the respondent fails to file a Notice of Defense within 15 days of service of the Accusation. (Sec. 11520, subd. (a).)

On April 10, 2003, the Accusation in this matter was personally served on Respondent Arturo Reyes both individually and on behalf of Respondent Committee to Elect Arturo Reyes. Proof of service of the Accusation is attached hereto as Attachment A. Along with the Accusation, the Enforcement Division served Mr. Reyes with a “Statement to Respondent,” which notified Mr. Reyes that he could request a hearing on the merits and warned him that, unless a Notice of Defense was sent within fifteen days of service of the Accusation, Respondents would be deemed to have waived their right to a hearing. Respondent Reyes has failed to file a Notice of Defense either on behalf of himself or Respondent Committee.

SUMMARY OF THE LAW

Campaign Disclosure

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and so that improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

1. Duty to File

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who receives contributions of \$1,000 or more in a calendar year. Section 82016, subdivision (a) defines a “controlled committee” as a committee that a candidate or state measure proponent controls,

² The Administrative Procedure Act is contained in Government Code sections 11370 – 11529.

through the exercise of significant influence on the actions or decisions of the committee, or a committee that acts jointly with a candidate, controlled committee, or state measure proponent in connection with the making of expenditures. Any person or persons who constitutes a committee, pursuant to section 82013, subdivision (a), is required to file pre-election campaign statements and semi-annual campaign statements as provided in sections 84200.5 and 84200, respectively.

Under section 82007 and Regulation 18404, subdivision (d), a controlled committee's filing obligations continue in effect, until such time as that committee is legally terminated. Section 84214 and Regulation 18404, subdivision (b) provide that a controlled committee is not legally terminated until the committee's treasurer files a termination statement on behalf of the committee, declaring that all of the pre-conditions for termination have been met.

2. Pre-election Campaign Statements

As provided in section 84200.5, subdivision (c), all candidates and their controlled committees, for an election that is not being held in June or November of an even-numbered year, shall file pre-election campaign statements according to a schedule set forth at section 84200.8. Section 84200.8, subdivision (a) requires candidates and their controlled committees to file a first pre-election campaign statement no later than forty days before the election, disclosing contributions and expenditures occurring up to forty-five days before the election. Section 84200.8, subdivision (b) requires candidates and their controlled committees to file a second pre-election campaign statement no later than twelve days before the election, disclosing contributions and expenditures occurring between forty-four and seventeen days before the election.

3. Semi-annual Campaign Statements

Section 84200, subdivision (a), further provides that candidates and their controlled committees must file semi-annual campaign statements each year, no later than July 31, to disclose contributions and expenditures that occur during the semi-annual reporting period ending June 30, and no later than January 31, to disclose contributions and expenditures that occur during the semi-annual reporting period ending December 31.

4. Duty to Disclose and Itemize Contributions of \$100 or More

If the cumulative amount of the contributions received by a committee from a contributor is \$100 or more, and the committee receives a contribution from the contributor during a reporting period, Section 84211, subdivision (f) requires the committee to report on its campaign statement for that reporting period, the following itemized information: (1) the contributor's full name, address, occupation and employer; (2) the date and amount of the contribution; and (3) the cumulative amount of the contributions received from the contributor.

Section 82015, subdivision (a) states, in pertinent part, that a “contribution” means “a payment . . . except to the extent that full and adequate consideration is received, unless it is clear from the surrounding circumstances that it is not made for political purposes.” Section 82015, subdivision (b)(1) goes on to state that a payment made at the behest of a committee, as defined in subdivision (a) of section 82013, is a contribution to the committee unless full and adequate consideration for making the payment is received from the behesting committee. Section 82015, subdivision (b)(2) states, that a payment made at the behest of a candidate is a contribution to the candidate, unless full and adequate consideration is received from the candidate, or it is clear from the surrounding circumstances that the payment was made for purposes unrelated to his or her candidacy for elective office.

Statement of Intention and Campaign Bank Account

Pursuant to section 85200, prior to the solicitation or receipt of any contribution or loan, an individual who intends to be a candidate for an elective office shall file with the Secretary of State a Statement of Intention to be a candidate for a specific office. Pursuant to section 85201, upon filing a Statement of Intention to be a candidate, all candidates who receive contributions or make expenditures in excess of \$1,000 in a calendar year must establish a single campaign bank account. At all times relevant to this matter, section 85201 required that, upon establishment of the campaign bank account, the name and address of the bank where the account is located, along with the account number, was to be filed with the Secretary of State within 10 days.³ All campaign contributions must then be deposited into the campaign bank account, and all campaign expenditures must be made from the campaign bank account. (Section 85201, subdivisions (c) – (e).)

Duty to Maintain Records

To ensure accurate campaign reporting, Section 84104 imposes a mandatory duty on each candidate, treasurer, and elected officer to maintain detailed accounts, records, bills and receipts that are necessary to prepare campaign statements, and to comply with the campaign reporting provisions of the Act. Under regulation 18401, subdivisions (a)(1) - (a)(3), this duty includes maintaining original source documentation for all contributions and expenditures, which under subdivision (b)(2) is required to be retained for a period of four years following the filing date of the campaign statement to which the documentation relates.

SUMMARY OF THE FACTS

According to the Los Angeles County Registrar/Clerk’s office, Respondent Arturo Reyes was a successful candidate for the Lynwood City Council in the November 4, 1997 General Municipal Election. According to records maintained by the Secretary of State’s office, Respondent Committee to

³ Under the current statute, candidates are required to report the campaign bank account number on their Statement of Organization.

Elect Arturo Reyes was Respondent Arturo Reyes' controlled committee. According to records maintained by the Lynwood City Clerk's office, Respondents did not file a single campaign statement in relation to the November 4, 1997 election, until July 20, 1998. On that date, Respondents filed three campaign statements with the Lynwood City Clerk. All three of these statements reported only the receipt of in-kind contributions from Respondent Reyes himself to his controlled committee.

Respondent Reyes was interviewed by Investigator Sandra Buckner of the Enforcement Division of the Fair Political Practices Commission on July 8, 1999 and July 22, 1999. In those interviews, Respondent Reyes stated that he never opened a campaign bank account, as required by law, and that he made all of his campaign expenditures out of his own personal funds, almost always in cash. In response to an investigative subpoena for his campaign records that was issued by the FPPC on April 22, 1999, Respondent Reyes produced only a single check, written on his business account, which bears no marking that would indicate that it has ever been processed by a bank. Because Respondent Reyes kept virtually no records of campaign contributions and expenditures, the Enforcement Division has obtained invoices, receipts, bank statements and other documentation, where available, to attempt to ascertain the actual amount and timing of Respondents' campaign activity.

Respondent Reyes stated to Investigator Buckner that he ran on a slate with three other City Council candidates, Councilmember Armando Rea, Ricardo Sanchez and Dale Jones. Respondent Reyes stated that he and Armando Rea began discussing the idea of putting a slate together as early as January 1997. In April or May, they started talking about a slate of four candidates. According to Respondent Reyes, Armando Rea made all of the decisions for the slate, and "no one did anything independent of the slate." During the campaign, Rea provided Respondent Reyes with campaign materials, and when Respondent Reyes asked what his share of the cost was, Rea said that he would "take care of it."

According to the bank records of Armando Rea, as well as invoices and receipts from Colby Signs, on February 21, 1997, March 10, 1997, March 17, 1997, and March 21, 1997, Armando Rea paid Colby Signs a total of \$2,802.60 for campaign signs that promoted Respondent Reyes as well as candidates Rea, and Sanchez. Because the payment for these signs was made at the behest of Respondent Reyes, one third of the \$2,802.60, or \$934.20, was a contribution to Respondents. According to the bank records of Armando Rea and Mariscos El Paisa, Inc., and the invoices and receipts of Lyngate Printing, on May 6, 1997, and May 30, 1997, Mariscos El Paisa, Inc. and Armando Rea paid a total of \$4,500 to Lyngate Printing for campaign postcards advertising the candidacy of Rea, Respondent Reyes, Sanchez, and Jones. According to corporate filings maintained by the Secretary of State's office, Respondent Reyes is Director and Chief Financial Officer of Mariscos El Paisa, Inc. Because the payment for these campaign postcards was made at the behest of Respondent Reyes, one fourth of the \$4,500, or \$1,125, was a contribution to Respondent Reyes. Accordingly, no later than May 30, 1997, Respondent Reyes and his controlled committee, Respondent Committee to Elect Arturo Reyes received contributions exceeding \$1,000, and thereby legally qualified

as a committee with campaign reporting obligations under the Act. As such, on or before May 30, 1997, and thereafter, Respondents were required to file campaign disclosure statements for the November 4, 1997 General Municipal Election.

COUNT 1

According to the records of the Lynwood City Clerk's office, Respondents Arturo Reyes and Committee to Elect Arturo Reyes failed to file a first pre-election campaign statement, for the reporting period January 1, 1997 through September 20, 1997, by the due date of September 25, 1997. The Clerk's office mailed a letter to Respondent Reyes on October 8, 1997, stating that he had failed to timely file this campaign statement, and directing him to do so as soon as possible. According to the records of the Lynwood City Clerk's office, Respondent Reyes failed to reply to that letter.

On July 7, 1998, Linda Moureaux, of the Enforcement Division of the Fair Political Practices Commission, sent a letter to Respondent Reyes, advising him that, due to his failure to comply with his reporting requirements, and his failure to respond to the Clerk's notice, the Enforcement Division had been notified of the violation. The letter stated that penalties of up to \$2,000 per violation could be imposed and that, prior to the Enforcement Division making a decision as to what enforcement action to take, Respondent had 10 days to file the delinquent statement. Respondents filed the delinquent statement on July 20, 1998. Although Respondents were required to file a statement covering the reporting period January 1, 1997 through September 20, 1997,⁴ and this requirement was spelled out in Linda Moureaux's July 7, 1998 letter, the statement Respondents filed covered only July 14, 1997 through September 20, 1997. By failing to file a first pre-election campaign statement no later than September 25, 1997 for the reporting period January 1, 1997 through September 20, 1997, Respondents violated section 84200.8 of the Government Code.

COUNT 2

According to the records of the Lynwood City Clerk's office, Respondents Arturo Reyes and Committee to Elect Arturo Reyes failed to file a second pre-election campaign statement, for the reporting period September 21, 1997 through October 18, 1997, by the due date of October 23, 1997. On November 3, 1997, the Clerk's office sent a letter to Respondent Reyes which notified him that he had failed to timely file this campaign statement, provided him with a copy of the form to be filled out (Form 490), and directed him to file this statement no later than November 10, 1997. According to the records of the Clerk's office, Respondents failed to reply to that letter. On December 10, 1997, the Clerk's office sent another letter to Respondent Reyes notifying him that the delinquent statement had

⁴ Because Respondents filed no statements previously, the period covered by the first pre-election statement begins January 1, 1997. (See, section 82046.)

still not been received, and directing him to file the statement as soon as possible. The records of the Clerk's office indicate that Respondents failed to reply to that letter.

On July 7, 1998, Linda Moureaux, of the Enforcement Division of the Fair Political Practices Commission, sent a letter to Respondent Reyes, advising him that, due to his failure to comply with his reporting requirements, and his failure to respond to the Clerk's notices, the Enforcement Division had been notified of the violations. The letter stated that penalties of up to \$2,000 per violation could be imposed and that, prior to the Enforcement Division making a decision as to what enforcement action to take, Respondents had 10 days to file the delinquent statement. Respondents filed the delinquent statement on July 20, 1998. By failing to file a second pre-election campaign statement no later than October 23, 1997, Respondents violated section 84200.8 of the Government Code.

COUNT 3

According to the records of the Lynwood City Clerk's office, Respondents Arturo Reyes and Committee to Elect Arturo Reyes failed to file a semi-annual campaign statement by the due date of February 2, 1998. On February 3, 1998, the Clerk's office sent a letter to Respondent Reyes, which notified him that he had failed to timely file this campaign statement, provided him with a copy of the form to be filled out (Form 490), and directed him to file this statement no later than February 12, 1998. According to the records of the Lynwood City Clerk's office, Respondents failed to reply to that letter.

On July 7, 1998, Linda Moureaux, of the Enforcement Division of the Fair Political Practices Commission, sent a letter to Respondent Reyes, advising him that, due to his failure to comply with his reporting requirements, and his failure to respond to the Clerk's notices, the Enforcement Division had been notified of the violations. The letter stated that penalties of up to \$2,000 per violation could be imposed and that, prior to the Enforcement Division making a decision as to what enforcement action to take, Respondents had 10 days to file the delinquent statement. Respondents filed the delinquent statement on July 20, 1998. By failing to file a semi-annual campaign statement no later than February 2, 1998, Respondents violated section 84200 of the Government Code.

COUNT 4

According to the records maintained by the Secretary of State's office, Respondent Arturo Reyes never filed a Statement of Intent to be a candidate and never opened a campaign bank account. According to the business records of Colby Signs, on February 21, 1997, Armando Rea paid a cash deposit to Colby Signs for campaign signs promoting the candidacies of Rea, Respondent Reyes and Ricardo Sanchez. This was a contribution to Respondent Reyes' campaign and therefore Respondent Reyes was required to file a Statement of Intention to be a Candidate prior to that date, and to establish a campaign bank account to be used for all contributions and expenditures.

When interviewed by Investigator Buckner on July 8, 1999, Respondent Reyes acknowledged that he never opened a campaign bank account. On at least three occasions Investigator Buckner requested that Respondents produce records in substantiation of their campaign finance activity in connection with the November 4, 1997 General Municipal Election, but Respondents failed to comply. On July 8, 1999, Investigator Buckner served Respondent Reyes with a subpoena for these records. In response to the subpoena, Respondents produced only one check, dated November 4, 1997, written from Respondent Reyes' business account, for \$390, to "Vasilios." By failing to establish a campaign bank account, Respondent Reyes violated Government Code section 85201.

COUNT 5

According to the records of the Lynwood City Clerk's office, Respondents Arturo Reyes and Committee to Elect Arturo Reyes filed a first pre-election campaign statement on July 20, 1998. Although Respondents were required to file a statement covering January 1, 1997 through September 20, 1997, the statement Respondents filed covered only July 14, 1997 through September 20, 1997.⁵ The only campaign activity reported in that statement was the receipt by Respondent Committee of \$2,253.40, in the form of non-monetary contributions, from Respondent Reyes.

According to the invoices and receipts of Colby Signs, and the bank records of Armando Rea, on or about and between February 21, 1997 and March 21, 1997, Armando Rea paid Colby Signs a total of \$2,802.60 for campaign signs which promoted the candidacies of Respondent Reyes, Armando Rea and Ricardo Sanchez. Because the payment for these signs was made at the behest of Respondent Reyes, one third of the \$2,802.60, or \$934.20, was a contribution to Respondents.

By failing to report a contribution of \$934.20, from Armando Rea, made on or about and between February 21, 1997 and March 21, 1997, Respondents violated section 84211 of the Government Code.

COUNT 6

According to the records of the Lynwood City Clerk's office, Respondents Arturo Reyes and Committee to Elect Arturo Reyes filed a first pre-election campaign statement on July 20, 1998. Although Respondents were required to file a statement covering January 1, 1997 through September 20, 1997, the statement Respondents filed covered only July 14, 1997 through September 20, 1997.⁶ The only campaign activity reported in that statement was the receipt by Respondent Committee of \$2,253.40, in the form of non-monetary contributions, from Respondent Reyes.

According to the invoices and receipts of Lyngate Printing, and the bank records of Mariscos El

⁵ See footnote 4.

⁶ See footnote 4.

Paisa, Inc., on May 6, 1997, Mariscos El Paisa, Inc. paid Lyngate Printing \$2,500 for campaign brochures which supported Respondent Reyes, Armando Rea, Ricardo Sanchez and Dale Jones. According to corporate filings maintained by the Secretary of State's office, Respondent Reyes was, at that time, Director and Chief Financial Officer of Mariscos El Paisa, Inc. According to the bank records of Lyngate Printing and Armando Rea, Rea paid another \$2,000 to Lyngate Printing on May 30, 1997, toward the cost of the brochures. Because the payments for these campaign brochures was made at the behest of Respondent Reyes, one fourth of the \$2,500, paid by Mariscos El Paisa, Inc., or \$625, and one fourth of the \$2,000 paid by Armando Rea, or \$500, were contributions to Respondent Reyes.

By failing to report a contribution of \$625, from Mariscos El Paisa, Inc., made on May 6, 1997, and \$500 from Armando Rea, made on May 30, 1997, Respondents violated section 84211 of the Government Code.

COUNT 7

According to the records of the Lynwood City Clerk's office, Respondents filed a first pre-election campaign statement on July 20, 1998, which covered the period July 14, 1997 through September 20, 1997. The only campaign activity reported in that statement was the receipt by Respondent Committee of \$2,253.40, in the form of non-monetary contributions, from Respondent Reyes.

According to the bank records of Lyngate Printing on July 17, 1997, Mariscos El Paisa, Inc. paid \$2,500 to Lyngate Printing for posters which advertised the candidacies of Respondent Reyes, Armando Rea, Ricardo Sanchez and Dale Jones. According to corporate filings maintained by the Secretary of State's office, Respondent Reyes was, at that time, Director and Chief Financial Officer of Mariscos El Paisa, Inc. Because payment for these posters was made at the behest of Respondent Reyes, one fourth of the \$2,500 paid by Mariscos El Paisa, Inc., or \$625, was a contribution to Respondents.

By failing to report a contribution of \$625 from Mariscos El Paisa, Inc., made on July 17, 1997, Respondents violated section 84211 of the Government Code.

COUNT 8

According to the records of the Lynwood City Clerk's office, Respondents filed a second pre-election campaign statement on July 20, 1998, which states that it covers the period September 20, 1997 through October 18, 1997. The only campaign activity reported in that statement was the receipt by Respondent Committee of \$2,017, in the form of non-monetary contributions, from Respondent Reyes. According to the statement, Respondent Reyes' nonmonetary contributions during this period consisted of one non-monetary contribution of \$1,546, in the form of "campaign signs," and an

unknown number of unitemized non-monetary contributions totaling \$471, that were each less than \$100 in value.

When interviewed by Investigator Buckner, Respondent Reyes stated that he never opened a campaign bank account. Reyes further stated that he paid the \$1,546 to Colby Signs from his own personal funds. By failing to make these campaign expenditures from a campaign bank account, Respondents violated section 85201.

COUNT 9

According to the records of the Lynwood City Clerk's office, Respondents Arturo Reyes and Committee to Elect Arturo Reyes filed a semi-annual campaign statement on July 20, 1998, which states that it covers the period October 18, 1997 through January 31, 1998. The only campaign activity reported in that statement was the receipt by Respondent Committee of \$719.67, in a cash contribution, from Respondent Reyes to Respondent Committee.

According to the invoices of Lyngate Printing and the bank records of Citizens to Elect Armando Rea, on or about and between October 23, 1997, and October 27, 1997, Citizens to Elect Armando Rea paid a total of \$4,000 to Lyngate Printing for an election brochure which advertised the candidacies of Respondent Reyes, Armando Rea, Ricardo Sanchez and Dale Jones. Because payment for these brochures was made at the behest of Respondent Reyes, one fourth of the \$4,000 paid by Citizens to Elect Armando Rea, or \$1,000, was a contribution to Respondent Reyes.

By failing to report on the semi-annual campaign statement, that was filed on July 20, 1998, contributions totaling \$1,000 from Citizens to Elect Armando Rea, made on or about and between October 23, 1997 and October 27, 1997, Respondents violated section 84211 of the Government Code.

COUNT 10

According to the records of the Lynwood City Clerk's office, Respondents filed a first pre-election campaign statement on July 20, 1998, which states that it covers the period July 14, 1997 through September 20, 1997. The only campaign activity reported in that statement was the receipt by Respondent Committee of \$2,253.40, in the form of non-monetary contributions, from Respondent Reyes.

As detailed above in Counts 6 and 7, the bank records of Armando Rea and Mariscos El Paisa, Inc., as well as the business records of Lyngate Printing, establish that, during this first pre-election reporting period of January 1, 1997 through September 20, 1997, payments totaling at least

\$7,000 were made to Lyngate Printing, for campaign posters and brochures promoting the slate of candidates that included Respondent Reyes. According to the business records of Colby Signs, Armando Rea paid another \$2,802.60 to Colby Signs during this reporting period for campaign signs promoting the slate. All of these payments were made at the behest of Respondent Reyes and therefore, a portion of these payments were contributions to Respondent Reyes.

On at least three occasions, Investigator Buckner requested that Respondents produce records in substantiation of their campaign finance activity in connection with the November 4, 1997 General Municipal Election, but Respondents failed to comply. On July 8, 1999, Investigator Buckner served Respondent Reyes with a subpoena for these records. In response to the subpoena, Respondent produced only one check, dated November 4, 1997, written from Respondent Reyes' business account, for \$390, to "Vasilios." That check bears no marking that would indicate it was ever processed by a bank.

By failing to maintain detailed records and accounts necessary for the preparation of the first pre-election statement that was filed on July 20, 1998, including, but not limited to, cancelled checks, bank records, invoices and receipts, Respondents violated section 84104.

COUNT 11

According to the records of the Lynwood City Clerk's office, Respondents Arturo Reyes and Committee to Elect Arturo Reyes filed a second pre-election campaign statement on July 20, 1998, which states that it covers the period September 20, 1997 through October 18, 1997. According to this statement, the only campaign activity during this reporting period was Respondent Committee's receipt of Respondent Reyes' non-monetary contribution of \$1,546, received on October 6, 1997, in the form of "campaign signs," and an unknown number of unitemized non-monetary contributions totaling \$471, that were each less than \$100 in value.

When interviewed by Investigator Buckner, Respondent Reyes stated that he never opened a campaign bank account and that he paid the \$1,546 to Colby Signs from his own personal funds. Reyes stated he did not remember whether he made the expenditure in cash or by check.

On at least three occasions, Investigator Buckner requested that Respondents produce records in substantiation of their campaign finance activity in connection with the November 4, 1997 General Municipal Election, but Respondents failed to comply. On July 8, 1999, Investigator Buckner served Respondent Reyes with a subpoena for these records. In response to the subpoena, Respondent produced only one check, dated November 4, 1997, written from Respondent Reyes' business account, for \$390, to "Vasilios." That check bears no marking that would indicate it was ever processed by a bank.

By failing to maintain detailed records and accounts necessary for the preparation of a second

pre-election statement that was filed on July 20, 1998, including, but not limited to, cancelled checks, bank records, invoices and receipts, Respondents violated section 84104.

COUNT 12

According to the records of the Lynwood City Clerk's office, Respondents filed a semi-annual campaign statement on July 20, 1998, which states that it covers the period October 18, 1997 through January 31, 1998. The only campaign activity reported in that statement was the receipt by Respondent Committee of \$719.67, in a cash contribution, from Respondent Arturo Reyes to Respondent Committee.

As detailed above in count 9, the invoices of Lyngate Printing and the bank records of Citizens to Elect Armando Rea, establish that, during the semi-annual reporting period, Citizens to Elect Armando Rea paid a total of \$4,000 to Lyngate Printing for an election brochure which promoted the candidacies of Respondent Reyes, Armando Rea, Ricardo Sanchez and Dale Jones.

Additionally, bank records of the Citizens to Elect Armando Rea, and invoices from L&M Printing and Boldt Mailing Service establish that on November 1, 1997, Citizens to Elect Armando Rea paid \$450 to L&M Printing for a flyer that advertised candidates Rea, Reyes, Sanchez and Jones, and on October 30, 1997, Citizens to Elect Armando Rea paid \$440 to Boldt Mailing Service for mailing labels for the same flyer. Respondents failed to maintain any records of these contributions.

On at least three occasions Investigator Buckner requested that Respondents produce records in substantiation of their campaign finance activity in connection with the November 4, 1997 General Municipal Election, but Respondents failed to comply. On July 8, 1999, Investigator Buckner served Respondent Reyes with a subpoena for these records. In response to the subpoena, Respondent produced only one check, dated November 4, 1997, written from Respondent Reyes' business account, for \$390, to "Vasilios." That check bears no marking that would indicate it was ever processed by a bank.

By failing to maintain detailed records and accounts necessary for the preparation of a semi-annual campaign statement that was filed on July 20, 1998, including, but not limited to, cancelled checks, bank records, invoices and receipts, Respondents violated section 84104.

ADDITIONAL INFORMATION

Respondent Reyes was sent three notices regarding his delinquent campaign statements by the Lynwood City Clerk's office and failed to respond to any of them. Respondent Reyes only filed his campaign statements in response to being contacted by the Enforcement Division, and even these campaign statements failed to provide full disclosure.

Although Respondent Reyes, at some point, consulted with the Commission's Technical Assistance Division, in this case his doing so does not mitigate the violations but instead provides further aggravation. Political Reform Specialist Kevin Moen stated to Investigator Buckner that he recalled meeting with Armando Rea and Respondent Reyes, and he instructed them how to fill out campaign statements. Mr. Moen stated that, at the time he met with Respondent Reyes, Respondent Reyes had already committed numerous violations of the Act and had not yet filed any campaign statements. Mr. Moen stated that he explained to Respondent Reyes all of Respondent's obligations under the Act and went through, step by step, how to properly complete and file campaign statements. Nonetheless, Respondent Reyes never filed any campaign statements until after he was contacted by the Enforcement Division in July of the year following the election. In the statements he then filed, Respondent failed to report numerous contributions, and subsequent investigation revealed that he had never opened a campaign bank account, made all his campaign expenditures with his personal funds, usually in cash, and failed

to maintain any records of these transactions. Clearly, Respondent Reyes ignored the advice he sought from the FPPC.

Because Respondents kept virtually no records of campaign activity, it is impossible to know exactly how much money was raised and spent in this campaign. Although the Enforcement Division has been able to document the above violations by issuing investigative subpoenas for business records and bank records, according to Respondent's own statements, most campaign transactions were handled in cash and no records were kept. As a result, the violations alleged herein almost certainly do not give a complete account of the total amount of campaign financial activity, which was never reported.

For example, on July 8, 1999, Respondent Reyes stated to Investigator Buckner that two campaign fundraising events were held for the slate of Respondent Reyes, Armando Rea, Ricardo Sanchez and Dale Jones. One event was a dinner at Tamayo's Restaurant in Los Angeles, in September of 1997, and the other event was at Bateman Hall in Lynwood. Respondent stated that prizes were given away at the Bateman Hall event. Respondent Reyes stated he has no idea how much money was raised at either event, or who paid for the prizes.

In addition, Respondent Reyes stated to Investigator Buckner that, at the time of these violations, he had twice previously been a candidate for City Council. Additionally, Respondent Reyes was an accountant and owner of Reyes Income Tax Services. As such, Respondent Reyes was not a newcomer to the requirements of campaign reporting and was familiar with generally accepted financial accounting practices. This evidence indicates that Respondents' violations were not due to ignorance of the law or inexperience but, instead, were intentional and were committed with the intent to conceal, deceive or mislead.

An enforcement action was initiated against Respondents with a Report in Support of a Finding

of Probable Cause being served on Respondent Reyes, individually and on behalf of Respondent Committee, on September 16, 2002. Along with the Report in Support of a Finding of Probable Cause, Respondents were served with a document explaining the administrative enforcement process and informing them that they had 21 days in which to request a Probable Cause Conference with the Executive Director of the Commission, to present any defenses they may have. On September 18, 2002, Commission Counsel Steven Meinrath received a telephone call from Lynwood City Attorney Mike Montgomery, who stated that he would be representing Mr. Reyes in this matter, and that he had received the Probable Cause Report. Respondents made no request for a Probable Cause Conference. On March 4, 2003, Executive Director Mark Krausse issued an Order finding that probable cause had been established to believe that Respondents had committed the alleged violations. On March 5, 2003, this Order was served on Respondent Reyes, on behalf of himself and Respondent Committee, and a copy of the Order was mailed to Respondent Reyes' attorney.

Respondent Reyes was then personally served with an Accusation in this matter, on behalf of himself and Respondent Committee, on April 10, 2003. Along with the Accusation, Respondents were served with a "Statement to Respondent" which explains the statutory requirement that Respondents return a Notice of Defense within 15 days or else they will have waived their right to a hearing. Also served on Respondent Reyes were two copies of the Notice of Defense form, a copy of the Order Finding Probable Cause, and copies of relevant portions of the Political Reform Act. This entire packet of documents was also mailed to Respondent Reyes' attorney on April 9, 2003.

Neither Respondent Reyes nor his attorney submitted a Notice of Defense on behalf of Respondents within the 15-day response period. Moreover, the Enforcement Division did not receive any communication from Respondent Reyes or his attorney for the following six weeks after the Accusation was served. On May 22, 2003, Respondent Reyes' attorney left a voicemail message for Commission Counsel Meinrath, stating that he wished to discuss this case as well as another matter. Mr. Meinrath was on vacation at the time. On June 2, 2003, upon returning from vacation, Mr. Meinrath called Mr. Montgomery by telephone and informed him that Respondents were now in default.

CONCLUSION

This matter consists of twelve counts, which carry a maximum possible administrative penalty of twenty-four thousand dollars (\$24,000). Respondents' violations are serious. Respondents failed to file any campaign statements until after the election, depriving the public of any information about the financial activity of Respondents in connection with the November 4, 1997 General Municipal Election. Additionally, Respondents failed to open a campaign bank account, conducted all or almost all of their campaign transactions in cash, and failed to maintain financial records of their transactions. These violations reflect a total disregard for the campaign disclosure laws and the public interest in campaign disclosure. It should also be noted that the campaign finance limits imposed by Proposition 208 were in effect at the time these violations took place, giving even greater incentive for candidates, whose

intention was to violate those limits, to conceal the actual amount of their campaign contributions and expenditures.

Accordingly, the facts of this case, and the aggravating circumstances addressed herein, justify the imposition of the maximum administrative penalty of Twenty-Four Thousand Dollars (\$24,000).